A7000-1
12/9/88 A

REAL ESTATE

Vol. 1, No. 12

OUTLOOK

December 1988

A Monthly Forecast for the Economy and Real Estate

FORECAST SUMMARY

- The U.S. Department of Commerce recently updated its advance estimate of real (inflation-adjusted) GNP growth for the third quarter, raising the estimated annual growth rate from 2.2 percent to 2.6 percent. The faster pace of economic growth was due to a higher estimate of consumer spending and a slightly faster rate of business inventory accumulation.
- The updated GNP report also confirmed that the rate of inflation has not accelerated: inflation, as measured by the GNP price deflator, advanced at a 4.7 percent annual rate in the third quarter, somewhat less than the 5.5 percent annual rate of the second quarter.
- Since the election, yields on short-term securities have risen to their highest levels in more than three and a half years. The result has been a near flattening of the yield curve, as yields on three- and six-month Treasury bills have moved within less than 1 and 1/2 percentage points of the 30-yr. Treasury bond yield.
- Higher short-term interest rates have raised the cost of funds for U.S. banks, which led them in late November to boost the prime rate to 10.5 percent from 10.0 percent. While a prime rate increase does not automatically feed into mortgage rates, consumers with home equity loans or lines of credit which have adjustable interest rates tied to the prime rate could see a rise in their loan payments.
- Total housing starts jumped 7.2 percent in October to a seasonally adjusted annual rate of 1.554 millon units. Starts of single-family homes were largely responsible for the October gains, rising 10 percent to a seasonally adjusted annual rate of 1.146 million units.
- Lower interest rates helped existing single-family home sales continue their surprisingly strong pace of 1988 into the month of October. In October, existing single-family home sales reached an annual rate of 3.63 million units, 1.1 percent below the revised September annual rate of 3.67 million units, but 4.6 percent faster than during October 1987.

IN THIS ISSUE

- A New Year's Card: Economic Commentary, by C.D. Ickes
- Outlook for the Economy and Real Estate, by Sean A. Burns and Beth M. Maerz
- Providing Home Financing Information: What Role for Real Estate Brokers? by John Simonson

REALTOR®

Forecasting & Policy Analysis Division
NATIONAL ASSOCIATION OF REALTORS ®
777 14th Street, NW Washington, D.C. 20005

Copyright 1988 NATIONAL ASSOCIATION OF REALTORS®

A NEW YEAR'S CARD

Economic Commentary

by
C.D. Ickens**

Marley was dead; there was no doubt about that. Scrooge knew not how long it had been since the shade of his partner had come to him in the night. Together they had built the economic forecasting firm of Scrooge and Marley into a giant in the industry, and Scrooge had maintained that reputation by careful attention to detail and sound judgment. When in error, Scrooge was always ready with "extraneous influences;" when correct, he was always read with a press release. Why must Marley now torture him so?

His old friend had promised him three spirits who would, if heeded, save Scrooge from the fate that now tormented the dead Marley. What had he said? Ah yes! "There is yet time, Ebeneezer, to turn away from the errors of your forecasts and live as a credit to humanity." What rot, thought Scrooge. When forecasters went about their business, the world was better off. Errors, indeed!

But still, Scrooge had been wakened by first one and then another spirit who showed him what was and what had been. He had seen himself in his younger more carefree days in the university, where forecasters gamboled with each other and traded models and numbers, unencumbered by the awesome responsibilities of the world. Scrooge had rejected that life, because he knew in his heart that the world -- the real world -- wanted and needed his numbers. But, the spirit had also shown him the results of that decision and the decisions of others who had forsaken their proper milieu for the wider world. In particular, Scrooge saw how his predictions and those of other forecasters fell within 10 percent of actual real growth in only three of the past ten years. In fact, Marley's demise was a direct result of the fiasco in 1982 when the forecasters called for 2 percent real GNP growth even as the economy shrank by 2.5 percent.

The second spirit had visited a shaken Scrooge and shown him the world as it was. He saw stable interest rates and a falling dollar and a stock market recovering from a nearly disastrous crash. He saw monetary policy tuning the economy to a 3 percent growth rate in the last quarter of the year. He saw all those things that he himself had predicted could never be happening at the end of 1988: moderate inflation, strong consumer spending, falling unemployment. Humbug! thought Scrooge as he lay awake waiting for the final spirit to show him yet another vision. We simply can't have moderate interest rates and inflation in a world of multi-billion dollar deficits and exploding consumer debt. By all that's good and holy, my models tell me it cannot happen!

As the hall clock struck yet again, Scrooge's bedroom was filled with light and wind and he heard -- no, not heard, rather *felt* -- the presence of the last spirit promised by Marley. He was drawn from his bed and whisked away to what appeared to be an enormous shopping mall. As the spirit motioned, he saw his computer programmer, Bob Cratchit, with his wife buying a compact disk player and a video camera. He followed them in wonder as they made their way to the auto dealer next door and bought a new car.

"Spirit," said Scrooge, his voice quaking with disbelief. "How can Cratchit buy these things? I know personal income has gone up only barely more than prices this year. I've followed that series since my graduate student days. And I know that he and his like are more in debt relative to income than they have ever been. Yet the Cratchits are using credit cards and borrowing to pay for these things they buy."

The spirit motioned silently to the cover of a *Wall Street Journal* lying nearby and a story dealing with the stock market recovery and surging home values. Through some metaphysical process, Scrooge understood that the consumer debt figures and the federal deficit that had figured so heavily into his forecast for 1989 were of little relevance. In fact, the stock market crash had not wiped out consumer wealth. The gains from the surging Dow since 1985 were still there. Cratchit and his peers had bought into the market through mutual funds -- including the 401(k) plan Scrooge had established for his employees in a moment of weakness -- and were enjoying expanding real wealth that allowed them to buy all this electronic gadgetry. And special financing rates and the falling dollar were bringing Bob and his ilk to dealers selling *American* cars.

"Spirit," said Scrooge in a voice that was now little short of a whine, "Are these the shadows of things what *will* be, or of what *might* be? Does this mean that the consumer will not go away, that growth will remain strong through 1989, with low interest rates and moderate inflation? Is my forecast of the coming recession wrong yet another year?"

The spirit nodded gravely and Scrooge began to realize the full import of Marley's message. Expansions do not collapse of their own weight when there are no good reasons for them to do so. If consumers will spend and deficits are trimmed and imports curbed, then the economy could continue to grow in a steady manner, interest rates and inflation could stay down and unemployment would ease.

The spirit left and Scrooge awoke in his bed, chastened but refreshed. He dressed quickly and rushed through the town, wishing all the happiest of New Years. That afternoon he changed his forecast for 1989 and -- now a true believer -- bought a new Buick and a thousand acres of real estate.

**EDITOR'S NOTE: Our usual columnist, John Tuccillo, exhausted by the rigors of the Annual Convention, has asked a guest writer to prepare this month's commentary. His regular column will appear next month.

Outlook for the Economy and Real Estate

THE ECONOMIC OUTLOOK

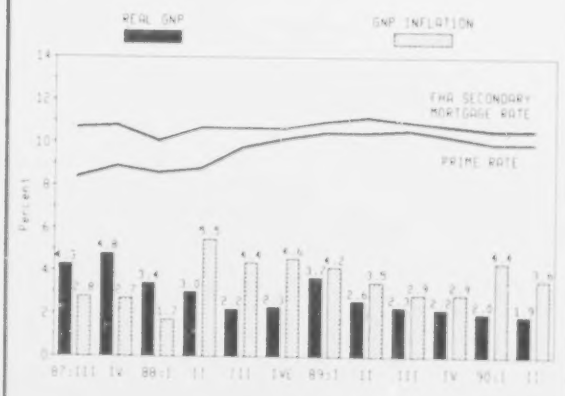
The U.S. Department of Commerce recently updated its advance estimate of real (inflation-adjusted) GNP growth for the third quarter, raising the estimated annual growth rate from 2.2 percent to 2.6 percent. The faster pace of economic growth was due to a higher estimate of consumer spending and a slightly faster rate of business inventory accumulation. Partially offsetting these upward revisions, net exports (exports minus imports) detracted a bit more from third quarter growth than was originally estimated, as imported goods continued to attract the dollars of American consumers. The updated GNP report also confirmed that the rate of inflation has not accelerated: inflation, as measured by the GNP price deflator, advanced at a 4.7 percent annual rate in the third quarter, somewhat less than the 5.5 percent annual rate of the second quarter.

Other economic indicators, such as the monthly reports on employment, industrial production and retail sales, suggest the economy will continue to expand into 1989. Industrial production expanded by 0.4 percent in October, marking the eigth consecutive monthly advance. Meanwhile, retail sales surged 0.9 percent to $135.6 billion, the largest monthly increase since March. Over the last several months, mixed reports from retail establishments has led some analysts to speculate that the economy is slowing down. However, the October gains were widespread, including large increases in auto sales and other consumer durables, as well as in nondurable consumer goods. In addition, consumer confidence in October was reported to be at its third highest level during the current expansion. Instead of concerns over an economic slowdown, attention has focused again on the prospects for an accelerating rate of inflation. Peaking operating rates, already at a nine year high, could very easily lead to higher wage demands and faster rates of price increases. But domestically driven inflation is not the only possible source of higher prices. Continued improvement in the U.S. trade deficit will likely require further declines in the dollar, which could lead to consumers paying higher prices for U.S. imports.

Monetary Policy and Interest Rates

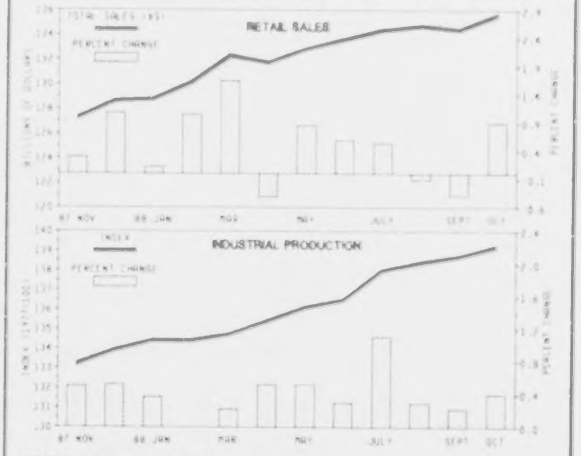
Inflationary concerns at the Federal Reserve may have been eased somewhat by the moderate 2.6 percent third quarter growth rate. However, the jump in retail sales and continued high operating rates amid strong employment growth have undoubtedly kept the Fed searching for the first signs of a resurgence of inflationary pressures. In addition, the dollar has fallen considerably since its Summer rally, having peaked in September. This has brought heavy intervention by the Japanese central bank and the Fed to keep the dollar from falling below the 120 - 125 yen range. In this environment of inflationary pressures bubbling to the surface on both the domestic and international fronts, the Fed has sought to keep credit dear and short-term interest rates rising. Since the election, yields on short-term securities have risen to their highest levels in over three and a half years. The result has been a near flattening of the yield curve, as yields on three- and six-month Treasury bills have moved within less than 1 and 1/2 percentage points of the 30-yr. Treasury bond yield.

GRAPH 1: THE ECONOMIC OUTLOOK



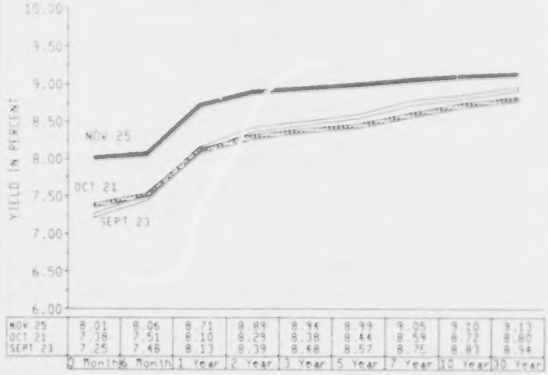
E-NAR estimates (1988:III thru 1989:IV)

GRAPH 2: PRODUCTION & RETAIL SALES RISE



SOURCE: Bureau of Labor Statistics.

GRAPH 3: RISING SHORT RATES, STABLE LONG RATES FLATTEN YIELD CURVE



	6 Months	1 Month	1 Year	2 Year	3 Year	5 Year	7 Year	10 Year	30 Year
NOV 25	8.01	8.06	8.71	8.89	8.94	8.99	9.06	9.10	9.17
OCT 21	7.38	7.51	8.10	8.29	8.38	8.44	8.59	8.72	8.80
SEPT 23	7.25	7.48	8.13	8.39	8.48	8.57	8.71	8.83	8.94

SOURCE: Generale de Banque, New York.

At the time this newsletter went to print, the yield on two-year Treasury notes was only about one-quarter of one percentage point less than 30-year Treasury bonds, whereas, one year ago this gap was about 1 and 1/2 percentage points. Higher short-term interest rates have raised the cost of funds for U.S. banks, which led them in late November to boost the prime rate to 10.5 percent from 10.0 percent. This rise was not a market leading move, but rather confirmed what had already taken place on the short end of the yield curve. A prime rate increase does not automatically feed into mortgage rates. However, consumers with home equity loans or lines of credit which have adjustable interest rates tied to the prime rate could see a rise in their loan payments.

Despite the rise in short-term interest rates, long-term interest rates in the U.S. and around the world have remained relatively stable in recent weeks. This is not to say that inflation fears only affect short-term rates; they affect long-term rates directly. However, expectations regarding the future rate of inflation appear to have been already factored into these long-term rates, possibly for several months.

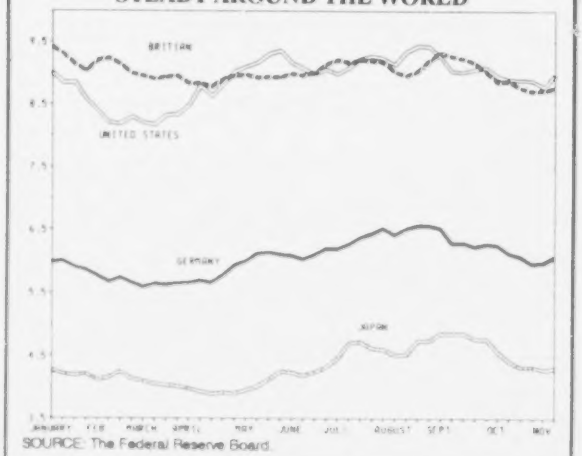
The recent rise in short-term rates is due to a growing concern that if future indicators show the economy advancing above its trend rate of growth, the Fed will have to act strongly to keep inflation under control. For example, an advance of more than 300,000 jobs recorded in the employment report (due out December 2) could be just such an indicator that might force the Fed to raise short-term rates even higher. If short-term rates continue to rise with stable long-term rates, then the yield curve could become inverted: higher short-term rates than long-term rates. More likely, if the Fed aggressively moves short-term rates higher, long-term rates would gradually follow as inflation expectations intensify.

REAL ESTATE MARKETS

Housing Starts

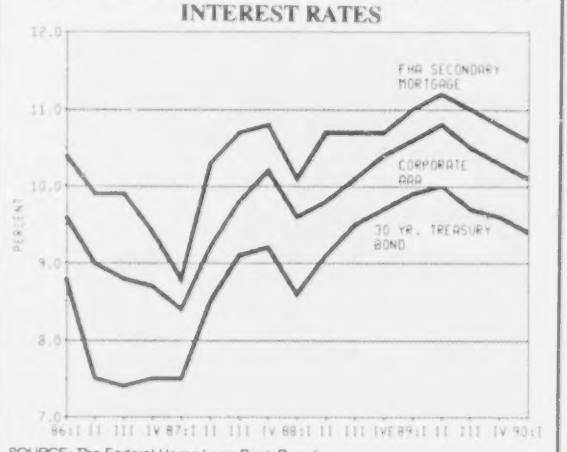
Total housing starts jumped 7.2 percent in October to a seasonally adjusted annual rate of 1.554 millon units. The October rate, which marked the largest monthly increase in housing starts since February, was only slightly above the October 1987 rate of 1.538 million units. Starts of single-family homes were largely responsible for the October gains, rising 10 percent to a seasonally adjusted annual rate of 1.146 million units. This was the strongest pace since September 1987 when single-family starts reached a rate of 1.211 million units. Starts of structures with two to four units mirrored single-family starts, rising 10.6 percent in September to an annual rate of 73 thousand units. Multi-family starts with five or more units were weak, falling 1.6 percent to a seasonally adjusted annual rate of 335 thousand units. The increased activity in single-family housing starts was due to low interest rates in September and October. The expected steady rise in mortgage interest rates into the first half of 1989 suggests that starts of single-family units will not surge forward. Rather, single-family starts are expected to average an annual rate of about 1.01 million units in 1989, down only marginally from their 1988 projected total of 1.08 million units.

GRAPH 4: LONG-TERM INTEREST RATES HOLD STEADY AROUND THE WORLD



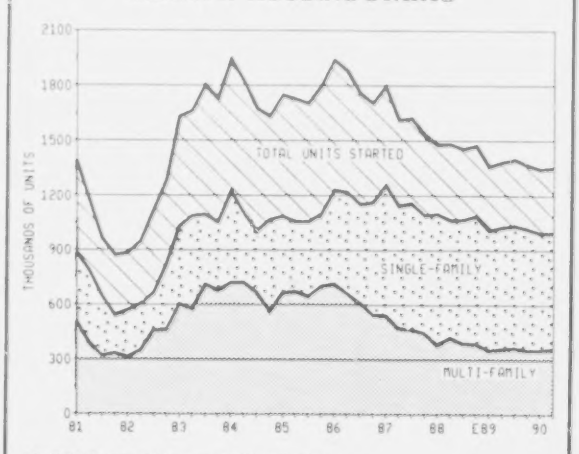
SOURCE: The Federal Reserve Board.

GRAPH 5: FORECAST FOR U.S. LONG-TERM INTEREST RATES



SOURCE: The Federal Home Loan Bank Board..

GRAPH 6: HOUSING STARTS



SOURCE: Bureau of Census; E NAR Estimates.

Existing Home Sales

Lower interest rates helped existing single-family home sales continue their surprisingly strong pace of 1988 into the month of October. In October, existing single-family home sales reached an annual rate of 3.63 million units, 1.1 percent below the revised September annual rate of 3.67 million units. However, existing single-family homes were sold at a rate 4.6 percent faster than during October 1987, when homes were sold at a seasonally adjusted annual rate of 3.47 million units. The October 1988 rate of 3.63 million units was considerably faster than the 3.45 million unit pace of the first six months of the year, and still stronger than the January through September average annual rate of 3.52 million units. Heading into the fourth quarter, even the seasonally adjusted rate of existing home sales will exhibit the normal cycle of slower home sales that extends through the winter months of the fourth and then the first quarter. The expected rise in mortgage interest rates could cause home sales to fall to 3.38 million units in 1989 and 3.25 million units in 1990; a drop of 3.9 and 3.6 percent, respectively.

Home Prices

The median sales price of an existing single-family home was relatively unchanged in October at $88,100, down 0.1 percent from the September median price of $88,200. While the October median sales price represents a 4.1 percent rate of appreciation over the October 1987 price of $84,000, it is the third consecutive monthly decline, and it represents the lowest median price reported since April of this year.

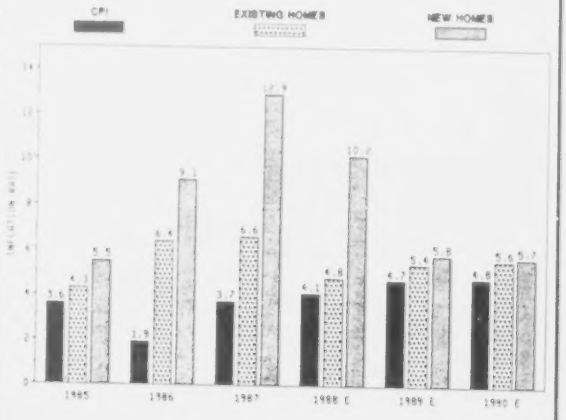
Since data on new single-family home sales and prices was due out later than the printing deadline of this newsletter, we instead look at the trend of rapidly rising new home prices. This trend has been impressive: the median sales price of new single-family homes increased 12.9 percent in 1987, and an expected 10.2 percent in 1988. However, these gains in the median price (the price at which there are an equal number of houses priced above as there are below) have been caused not only by inflationary pressures, but also the changing types of new homes that are being sold. In the past decade, the gap between the median and average cost of a new home has widened considerably, with the average price rising more rapidly than the median. This growing price gap means that new homes in the higher price brackets are being priced above the median by an increasing margin. This is partly due to the practice of many builders to offer homebuyers the ability to customize their homes by selecting from expensive options.

This trend is most apparent in the way that the average price of a new home has risen far above the quality-adjusted new home price index. (This index accounts for the quality differences of new homes by tracking the cost of a new home with ten consistent characteristics, thus isolating the real price changes. Its base year is 1982.) The failure of the price index to keep pace with the average price of a new home could indicate that, on average, today's new homes are more desirable in terms of these ten benchmark characteristics, and that they likely contain more of the fancier and higher priced options mentioned earlier.

GRAPH 7: EXISTING SINGLE-FAMILY HOME SALES

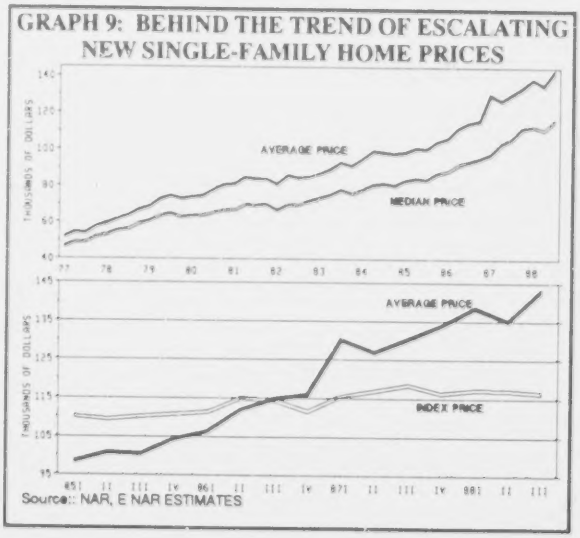
Source: Bureau of Census; E NAR Estimates

GRAPH 8: HOME PRICES



Source: Bureau of Census.; E NAR Estimates.

GRAPH 9: BEHIND THE TREND OF ESCALATING NEW SINGLE-FAMILY HOME PRICES



Source:: NAR, E NAR ESTIMATES

REGIONAL DATA

Housing Starts

With the exception of the Northeast, housing starts rose in every region during October. Housing construction activity in the West continues to be exceptionally strong, with starts reaching 498 thousand units in October, 15 percent above the September annual rate of 433 thousand units, and 21.2 percent above the October 1987 annual rate of 411 thousand units. Housing starts in the Midwest rose to an annual rate of 268 thousand units, 7.6 percent above the September annual rate of 249 thousand units, and 6.8 percent above the October 1987 rate of 251 thousand units. In the South, housing starts reached an annual rate of 586 thousand units in October, 4.6 percent above the September rate of 560 thousand units, but 5.8 percent below the October 1987 rate of 622 thousand units. In sharp contrast, housing starts in the Northeast continued to sag, falling in October to a seasonally adjusted annual rate of 202 thousand units, or 2.4 percent below the September annual rate of 207 thousand units, and 20.5 percent below the 254 thousand unit pace of October 1987. Housing starts (not seasonally adjusted) for the first ten months of 1988 have fallen short of their 1987 levels for the same period: 206 thousand units in the Northeast, down 11.6 percent from 1987; 235 thousand units in the Midwest, down 9.3 percent; 492 thousand units in the South, down 10.9 percent; and 347 thousand units in the West, down 6.3 percent.

Existing Home Sales

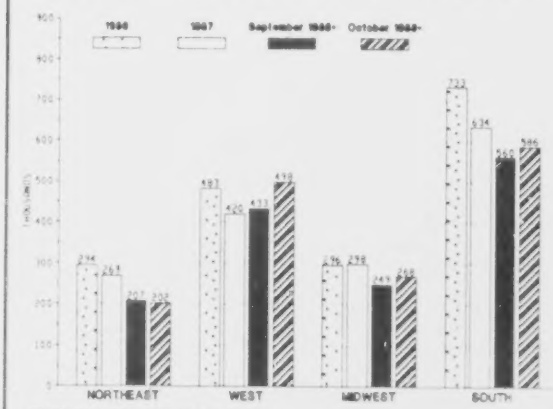
The regional breakdown of existing single-family home sales in October looked very much like the September data, with only moderate changes occuring in the Midwest and the West. October sales in the Midwest reached 930,000 homes, up 2.2 percent from both the September 1988 and October 1987 annual rate of 910,000 homes. Existing single-family home sales slowed to 700,000 homes in the West, down 2.8 percent from the September rate of 720,000 homes, but 16.7 percent above the October 1987 rate of 600,000 homes. In the South and the Northeast, existing single-family home sales were unchanged at 1,390 and 650 thousand unit annual rates, respectively.

Home Prices

The fall in the median sales price of an existing single-family home was shared by the Northeast and West, while prices in the South and Midwest rose slightly. The median price in the Northeast fell 2.8 percent in October to $137,600, but this was 1.7 percent above the October 1987 median price. In the West, the October median price fell 3.0 percent to $124,400, but this was 6.9 percent above the October 1987 median sales price. Home prices inched up in the Midwest by 0.8 percent to $67,600, an increase of 6.0 percent from a year ago. In the South, the median priced home sold for $81,600, up 0.8 percent from September and 1.7 percent from last October.

Sean A. Burns,
Director of Forecasting
Beth M. Maerz,
Research Associate
Forecasting & Policy Analysis Division

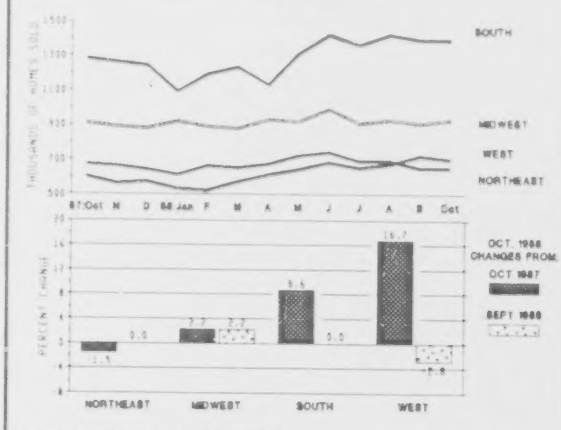
GRAPH 10: HOUSING STARTS BY REGION



-SEASONALLY ADJUSTED ANNUAL RATES

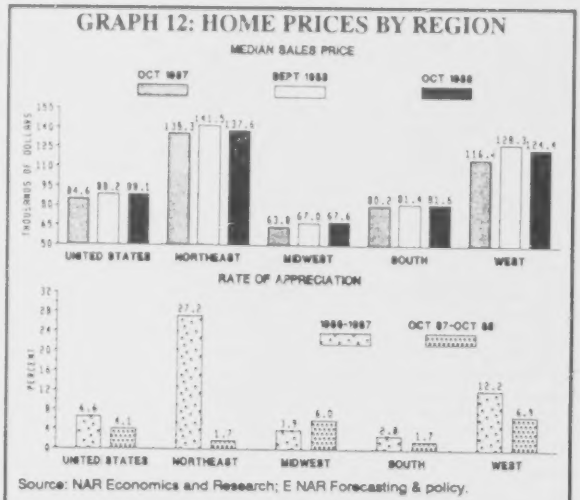
Source: NAR Economics and Research; E NAR Estimates

GRAPH 11: EXISTING SINGLE-FAMILY HOME SALES BY REGION



Source: NAR Economics and Research.

GRAPH 12: HOME PRICES BY REGION



Source: NAR Economics and Research; E NAR Forecasting & policy.

PROVIDING HOME FINANCING INFORMATION: WHAT ROLE FOR REAL ESTATE BROKERS?

Homebuyers' Need for More and Better Financing Information

ARMs, FRMs, GPMs, VRMs, PLAMs, and a multitude of other seemingly esoteric options confront today's prospective homebuyer in shopping for a home mortgage loan. Not surprisingly, obtaining reliable and comprehensible information about alternative financing packages available can be a vexing obstacle to homeownership for many American families. Real estate brokers already play an important role in providing such information to prospective homebuyers; from all indications that role is more likely to grow than to diminish.

Just how great is the need for more and better information about home financing is revealed by a 1987 Gallup survey commissioned by The Travelers Mortgage Services, Inc.[1] Among current homeowners, for example:

- Nearly three in five (58.1%) believed that shopping for a mortgage should occur before selecting a home.
- Over one-third (38.7%) said they were not even "somewhat" knowledgeable about home financing.
- Some two out of five (43.1%) either agreed with the statement "the monthly payment on a fixed-rate 15-year mortgage is twice the payment on a fixed-rate 30-year mortgage" or did not know whether or not the statement is true.
- Nearly one-fourth (23.2%) either did not believe or did not know that mortgage interest rates and points may be negotiable.

In sum, a sizeable number even of current homeowners seem to know surprisingly little about mortgage terms and other facets of the home financing process. And indications are that the situation among prospective first-time homebuyers is substantially worse.

Sources of Finance Information

Prospective homebuyers appear to seek financing information from many sources. The following table shows the respective percentages of current homeowners and of prospective first-time homebuyers which indicated they were "most likely" to use each of several alternative sources to obtain information regarding housing finance. As might be expected, current homeowners would turn primarily to lending institutions for home financing information, indicating that thrifts and banks are by far the "most likely" source. Real estate brokers are the second most relied upon source, followed in order by magazines/newspapers/TV, friends/relatives, and lawyers.

Information Source	Current Owners "Most Likely" to Use Source*	Prospective First-Time Homebuyers "Most Likely" to Use Source*
Lending Institutions:		
Banks/Savings & Loans	34.4	23.6
Mortgage Companies	13.2	8.1
Credit Unions/Finance Cos	9.4	6.8
Real Estate Agents/Agencies	30.7	33.7
Magazines/Newspapers/TV:		
Advertisements	13.2	20.1
Articles	11.9	14.5
Friends/Relatives	13.2	16.6
Lawyers	14.3	13.0
Other/Don't Know	4.8	4.1

* Totals exceed 100% because some respondents indicated they were likely to use more than one source.

A Special Problem for First-Timers

Among *prospective first-time* homebuyers[2] the home finance process can be especially intimidating. Three out of four in this category (74.2%) believe the mortgage should be shopped for before selecting a home. Moreover, prospective first-time buyers are far less likely to obtain financing information from lenders than are current owners. Instead, prospective first-time homebuyers are somewhat more likely to rely on magazines, newspapers, and TV and on real estate brokers.

Good Information as Valuable as Low Rates?

There can be little doubt that selecting appropriate financing constitutes a critically important component of the home purchase process. We have already seen, for example, that the overwhelming majority of prospective homebuyers feels that shopping for a mortgage should occur before shopping for a house. But how respondents rated importance of factors in selecting a financing package is particularly revealing. Among current homeowners, 74.1 percent said that "knowledgeable and helpful staff" is very important, compared with 86.8 percent who said "best available rates" is a very important factor. Among prospective first-time homebuyers *more* cited "knowledgeable and helpful staff" as being very important than cited "best available rates" (84.1% vs. 76.7%).

We can undoubtedly expect continued proliferation of alternative mortgage instruments, interest rate volatility, and increased home financing complexity. Therefore, gaining essential information about home finance is unlikely to become any less critical or any less intimidating for prospective homebuyers than it is now. Real estate agents already serve as an important source of financing information for a large proportion of homebuyers. But the opportunity remains for real estate agents to play an even larger role in the future.

---

1. Between March 10 and April 3, 1987, The Gallup Organization conducted a telephone survey of adults aged 26 to 65 in 16 metropolitan areas in the United States. The survey, commissioned by The Travelers Mortgage Services, Inc., was based on a sample of 1001 current owners, 81 current renters who previously owned, and 130 current renters who were actively preparing to purchase for the first time.
2. "Prospective first-time homebuyers" are adult respondents surveyed who currently rented, had not previously owned, and who were actively preparing to buy a home, e.g., saving for a down payment, dealing with a real estate broker, or reading "homes for sale" brochures.

by
John Simonson
Professor of Economics
University of Wisconsin-Platteville
Visiting Scholar at the
NATIONAL ASSOCIATION OF REALTORS®

U.S. ECONOMIC OUTLOOK

DECEMBER 1988

	QUARTERS								YEARS				
	ACTUAL		FORECAST						ACTUAL		FORECAST		
	88.2	88.3	88.4	89.1	89.2	89.3	89.4	90.1	1986	1987	1988	1989	1990
AGGREGATE ECONOMY													
Gross National Product (billions of dollars)	4824	4909	4984	5080	5157	5223	5290	5373	4240	4527	4858	5187	5494
% Change	8.7	7.2	7.1	8.0	6.1	6.4	5.2	6.5	5.6	6.8	7.3	6.8	5.9
% Change (w/out inflation)	3.0	2.6	2.3	3.7	2.6	2.3	2.2	2.0	2.8	3.4	3.8	2.7	2.2
Consumer Price Inflation (CPI)	4.8	4.7	4.4	4.9	4.8	4.6	4.6	5.4	1.9	3.7	4.1	4.7	4.8
GNP Inflation (GNP Deflator)	5.5	4.4	4.6	4.2	3.5	2.9	2.9	4.4	2.7	3.3	3.3	4.0	3.6
Unemployment Rate - Civilian	5.4	5.5	5.3	5.4	5.5	5.5	5.5	5.5	7.0	6.2	5.5	5.5	5.6
Civilian Employment-Household Basis (millions)	114.6	115.2	115.8	116.1	116.5	117.0	117.5	117.9	109.6	112.4	115.0	116.8	118.4
Percent change	1.5	1.9	2.1	1.0	1.7	1.6	1.6	1.3	2.3	2.6	2.2	1.6	1.4
Index of Industrial Production	136.0	138.2	139.5	139.6	140.3	141.1	141.9	142.2	125.1	129.8	137.1	140.7	143.3
Manufacturing Capacity Utilization	83.2	83.8	83.9	83.9	83.8	83.9	83.8	83.6	79.7	81.0	83.4	83.8	83.7
Domestic Auto Sales	7.5	7.6	7.3	7.2	7.2	7.2	7.2	7.0	8.2	7.1	7.5	7.2	7.0
Federal Tax Receipts (NIPA) as % of GNP	20.4	19.8	19.9	20.0	20.1	20.1	20.1	20.6	19.5	20.2	20.1	20.1	20.6
Federal Expenditures (NIPA) as % of GNP	23.1	22.4	22.7	22.9	22.9	22.8	22.8	22.9	24.4	23.7	22.9	22.9	22.9
Deficit(NIPA)	-133.3	-127.1	-140.5	-147.8	-144.3	-142.1	-144.0	-122.2	-205.6	-157.8	-139.0	-144.6	-124.6
as % of GNP	-2.8	-2.6	-2.8	-2.9	-2.8	-2.7	-2.7	-2.3	-4.9	-3.5	-2.9	-2.8	-2.3
REAL ESTATE MARKETS													
HOME SALES													
Total Single-family Home Sales (thousands; single-family resales plus 97 percent of single-family starts)	4674	4702	4603	4352	4430	4487	4233	4238	4712	4648	4573	4376	4232
Percent change – year ago	-0.5	3.8	3.5	-2.0	-5.2	-4.6	-8.0	-2.6	10.8	-1.4	-1.6	-4.3	-3.3
Existing Single-family Home Sales (thousands)	3643	3670	3550	3375	3437	3486	3250	3276	3565	3526	3528	3378	3255
Percent change – year ago	0.9	7.0	4.7	3.8	-5.7	-5.0	-8.5	-2.9	10.9	-1.1	0.1	-4.0	-3.9
Housing Starts (thousands)	1481	1462	1471	1357	1381	1395	1364	1342	1812	1634	1470	1374	1366
Percent change – year ago	-7.8	-9.7	-4.1	-8.1	-6.7	-4.5	-7.3	-1.1	4.1	-9.8	-10.0	-6.5	-0.6
Single-Family Units	1063	1062	1086	1007	1024	1032	1013	992	1183	1157	1078	1019	1007
Percent change – year ago	-6.5	-7.8	-0.3	-8.2	-3.7	-3.0	-6.7	-1.5	10.4	-2.2	-6.8	-5.4	-1.2
Multi-Family Units	418	399	385	350	357	363	350	350	630	477	393	355	358
2-4 Family Units	57	59	58	52	54	54	52	52	85	66	57	53	54
Percent change – year ago	-20.4	7.3	2.3	-7.0	-6.7	-8.5	-9.0	0.0	-9.0	-22.6	-12.7	-7.4	1.0
5+ Family Units	360	340	327	297	304	308	298	297	545	412	336	302	305
Percent change – year ago	-9.1	-16.6	-15.4	-8.1	-15.7	-9.4	-9.0	0.0	-5.6	-24.4	-18.5	-10.1	1.0
New Single-family Home Sales (thousands)	697	705	660	607	620	660	570	550	750	671	673	614	563
Percent change – year ago	3.4	4.4	6.3	-3.7	-11.0	-6.4	-13.6	-9.4	9.0	-10.5	0.3	-8.7	-8.3
Mobile Homes Shipped (thousands)	220	216	227	218	222	226	230	228	246	233	218	224	233
HOME PRICES													
Existing Home Prices - Median $(1000)	88.9	90.1	91.9	92.6	94.3	95.1	96.0	97.1	80.3	85.6	89.7	94.5	99.8
Percent change – year ago	4.5	5.4	8.1	5.5	6.1	5.5	4.5	4.9	6.4	6.6	4.8	5.4	5.6
New Home Prices - Median $(1000)	112.9	115.5	117.0	117.4	121.3	122.5	123.7	124.9	92.0	104.0	114.6	121.2	128.1
Percent change – year ago	9.1	8.8	4.7	4.0	7.4	6.1	5.7	6.4	9.1	12.9	10.2	5.8	5.7
FINANCIAL MARKETS													
Long-Term Interest Rates													
30-year FRM (FHA Secondary)	10.7	10.7	10.7	11.0	11.2	11.0	10.8	10.6	9.9	10.2	10.5	11.0	10.7
1-year ARM (without buydown)	7.6	7.6	7.8	8.1	8.2	8.2	8.3	8.1	7.9	8.2	7.6	8.2	7.8
Corporate AAA Bond Rate	9.8	10.1	10.2	10.4	10.6	10.5	10.3	10.1	9.0	9.4	10.0	10.6	10.2
Government Bond Rate	9.1	9.5	9.3	9.7	9.9	9.7	9.6	9.4	7.8	8.6	9.2	9.8	9.4
Short-Term Interest Rates													
Federal Funds Rate	7.1	8.1	8.3	8.5	8.7	8.6	8.3	8.3	6.8	6.7	7.6	8.5	8.0
3-month T-Bill Rate	6.2	7.2	7.9	8.1	8.3	8.0	7.8	7.6	5.8	6.6	7.6	7.1	
Prime Rate	8.8	9.8	10.2	10.5	10.5	10.3	10.0	10.0	8.3	8.2	9.4	10.5	9.7
Discount Rate	6.0	6.4	6.6	7.0	7.0	7.0	6.8	6.5	6.3	5.7	6.3	6.5	6.7
Value of the U.S. Dollar (Trade-Weighted Avg.)	90.4	97.6	93.5	90.5	89.4	86.4	83.8	82.8	112.3	96.9	92.9	87.5	82.0
Percent change	1.7	35.6	-15.8	-12.0	-4.7	-12.9	-11.7	-4.6	-21.6	-13.6	-4.2	-5.8	-6.3

Source: Forecast produced using Laurence H. Meyer and Associates' model of the U.S. economy.
Assumptions and simulations by Dr. John Tuccillo, Dr Frederick Flick, Sean Burns and Beth Maerz.

REALTOR®

EQUAL HOUSING
OPPORTUNITY